

Unequal Europe.

Lecture at the occasion of A.B. Atkinson's presentation of
Inequality. What can be done?

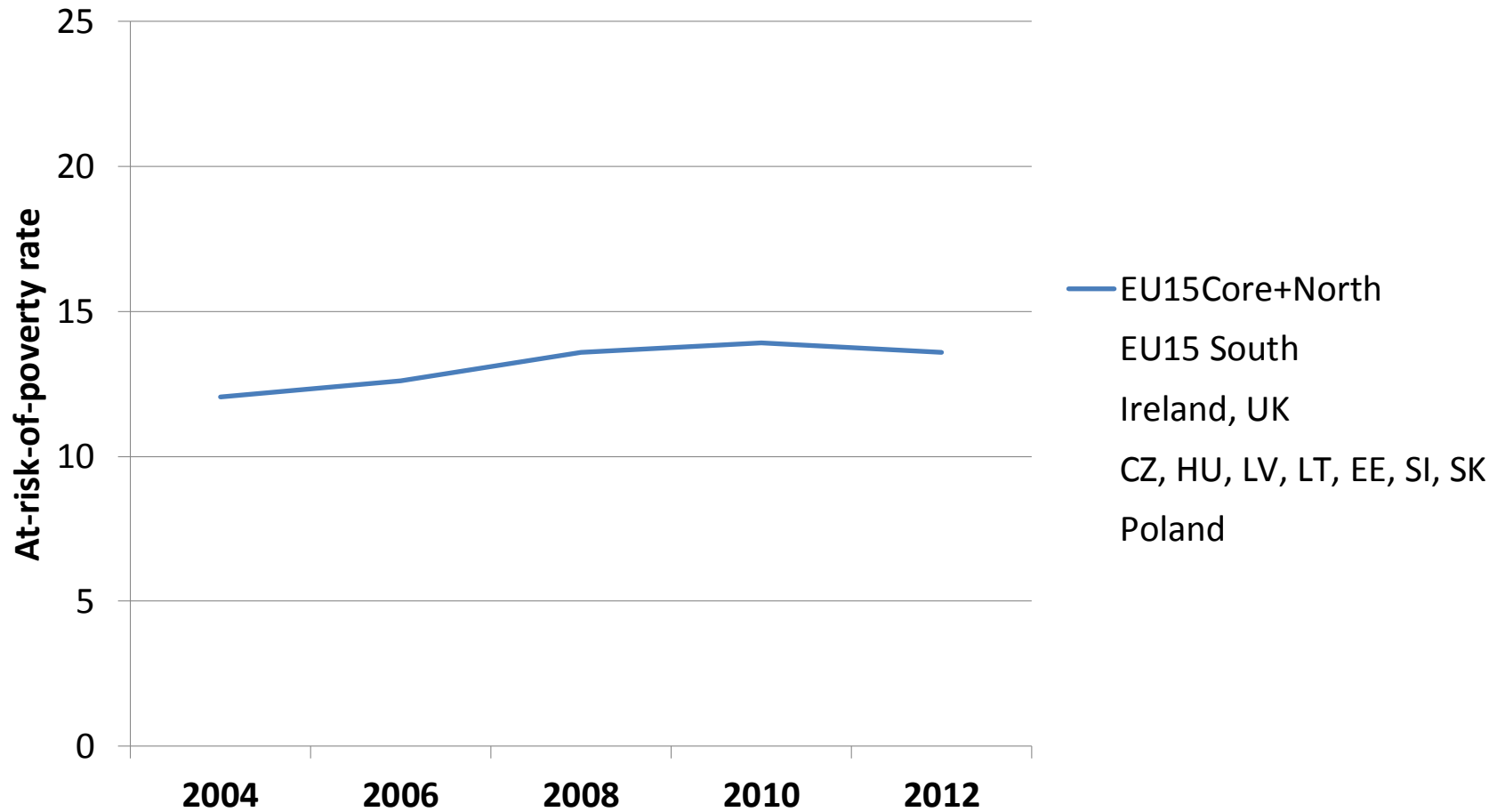
Frank Vandebroucke

Antwerp, UCSIA
10 September 2015

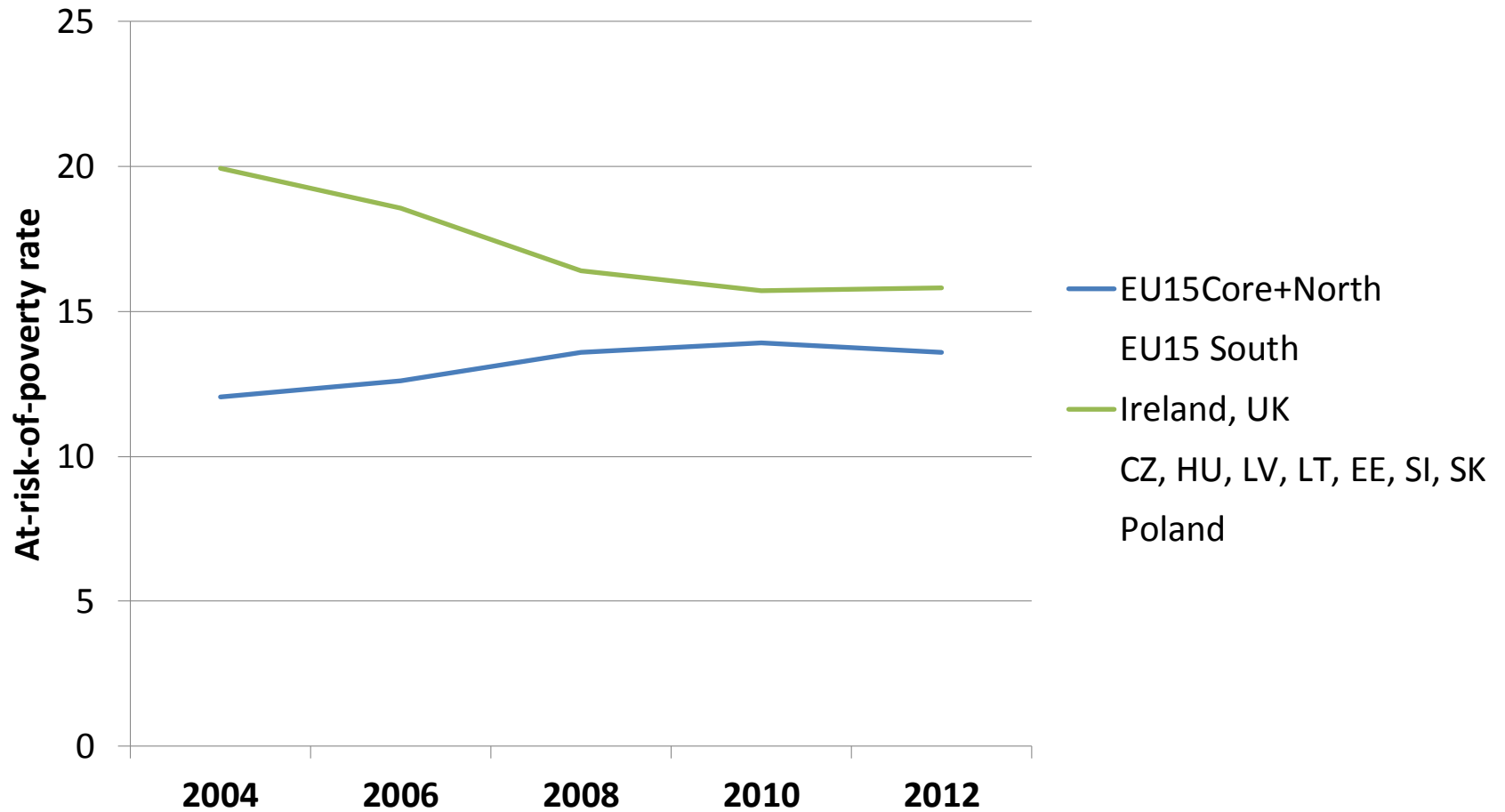
Structure

- Domestic versus 'pan-European' perspectives on inequality and poverty
- The social dimension of the EU: reconnecting with the *founding fathers'* inspiration
- What went wrong?
- Solutions from an EU perspective & Atkinson's proposals

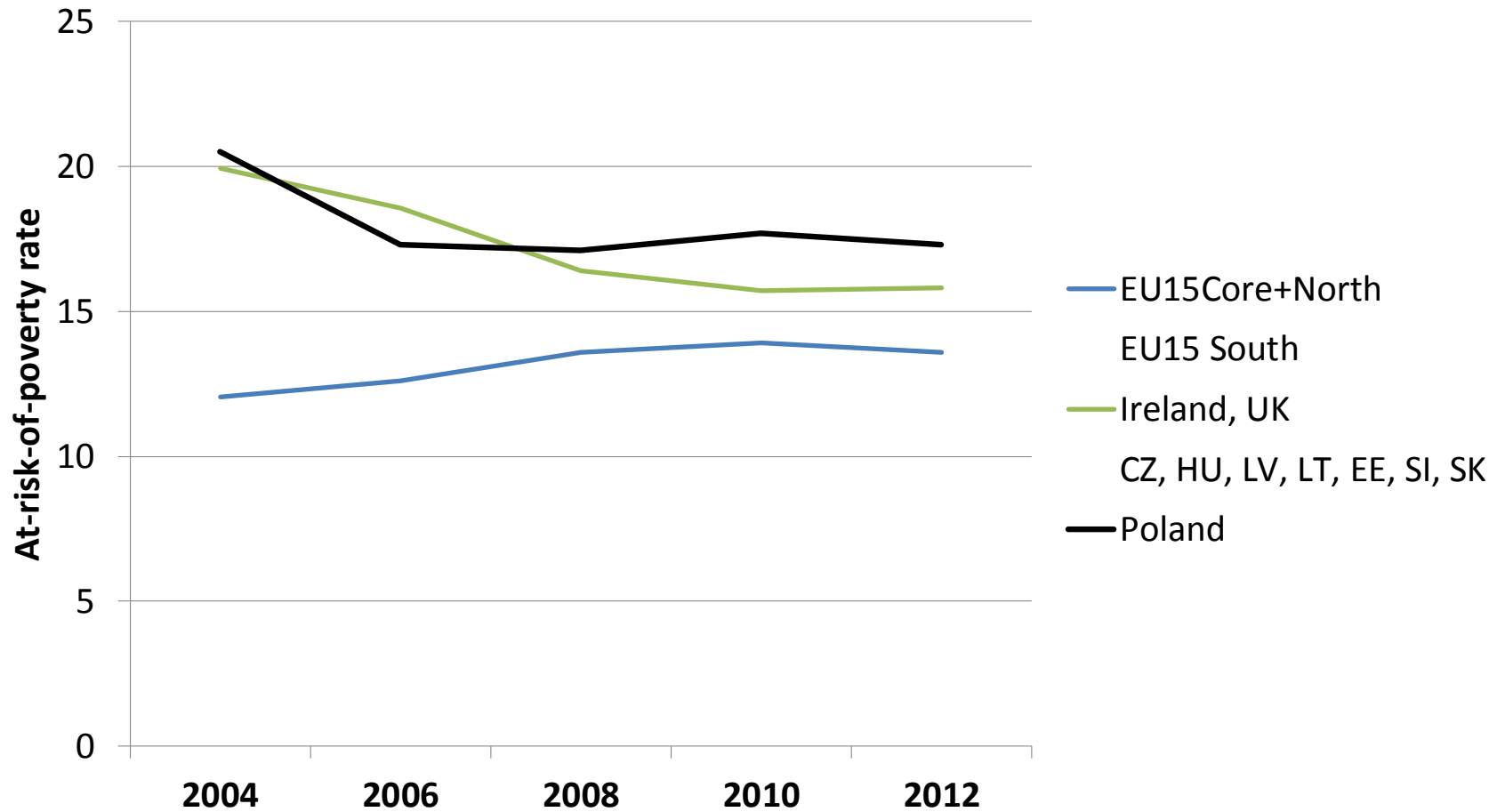
Inequality *within* EU countries: at-risk-of-poverty rates (unweighted averages of country clusters)



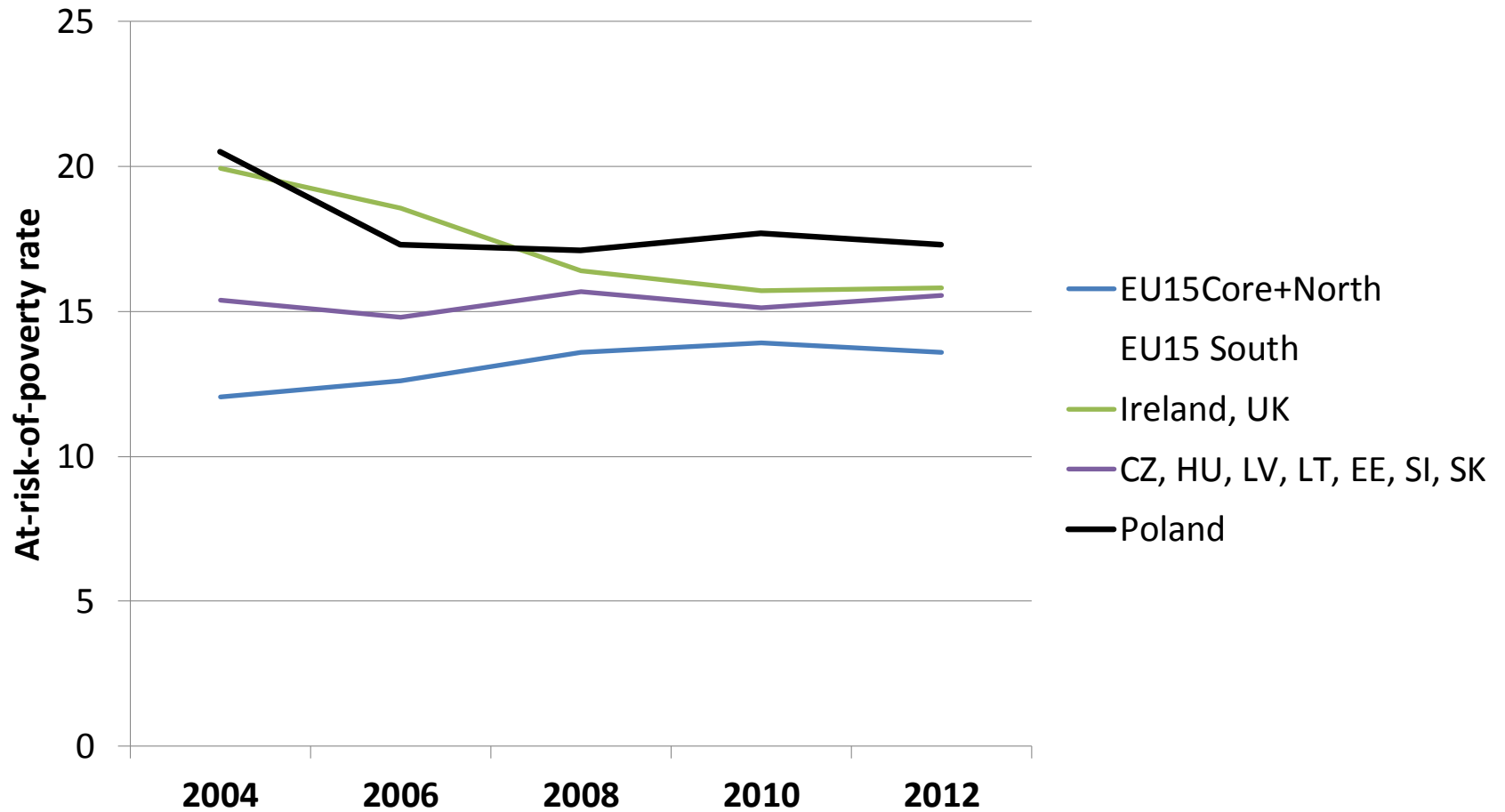
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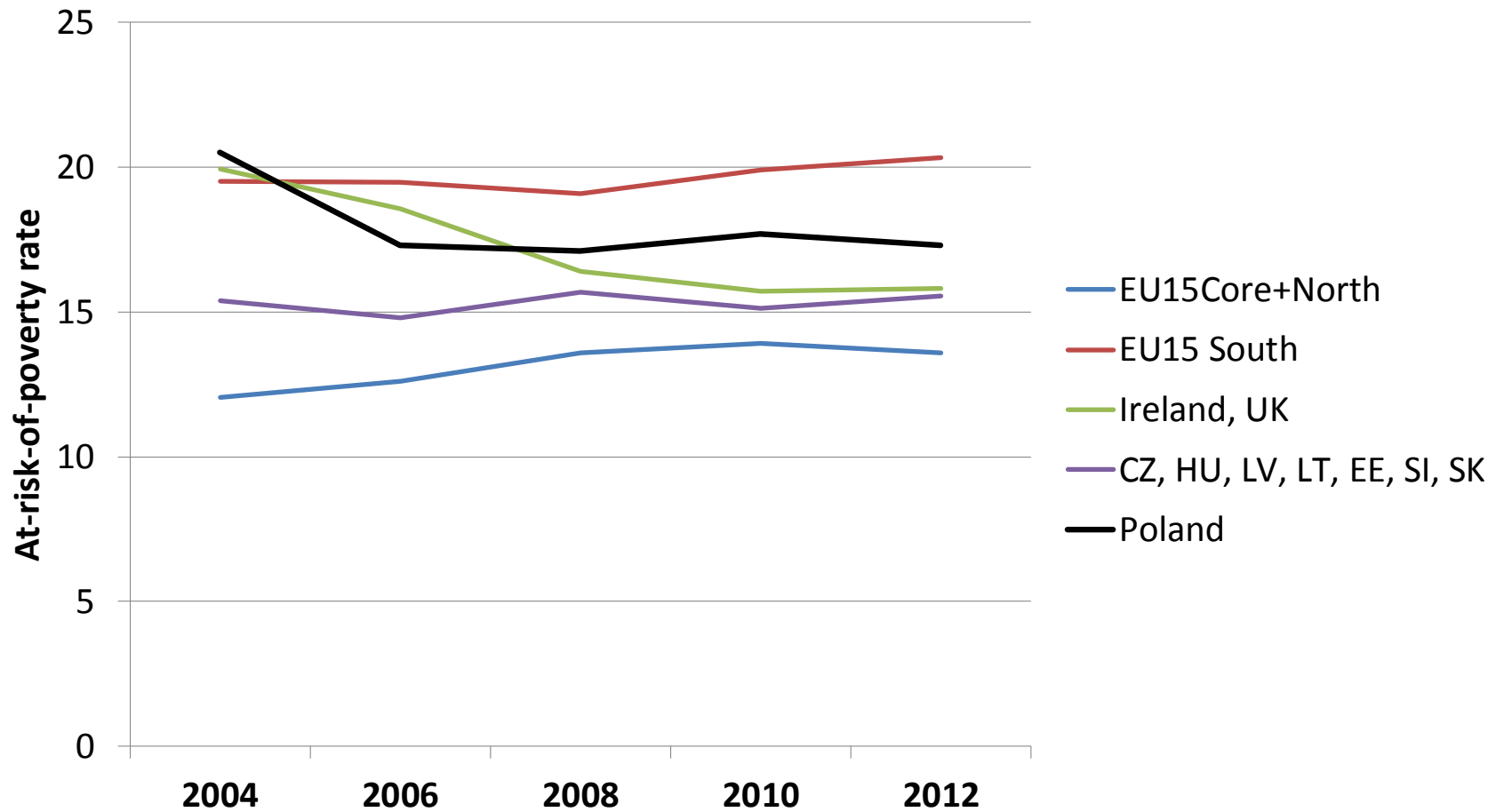
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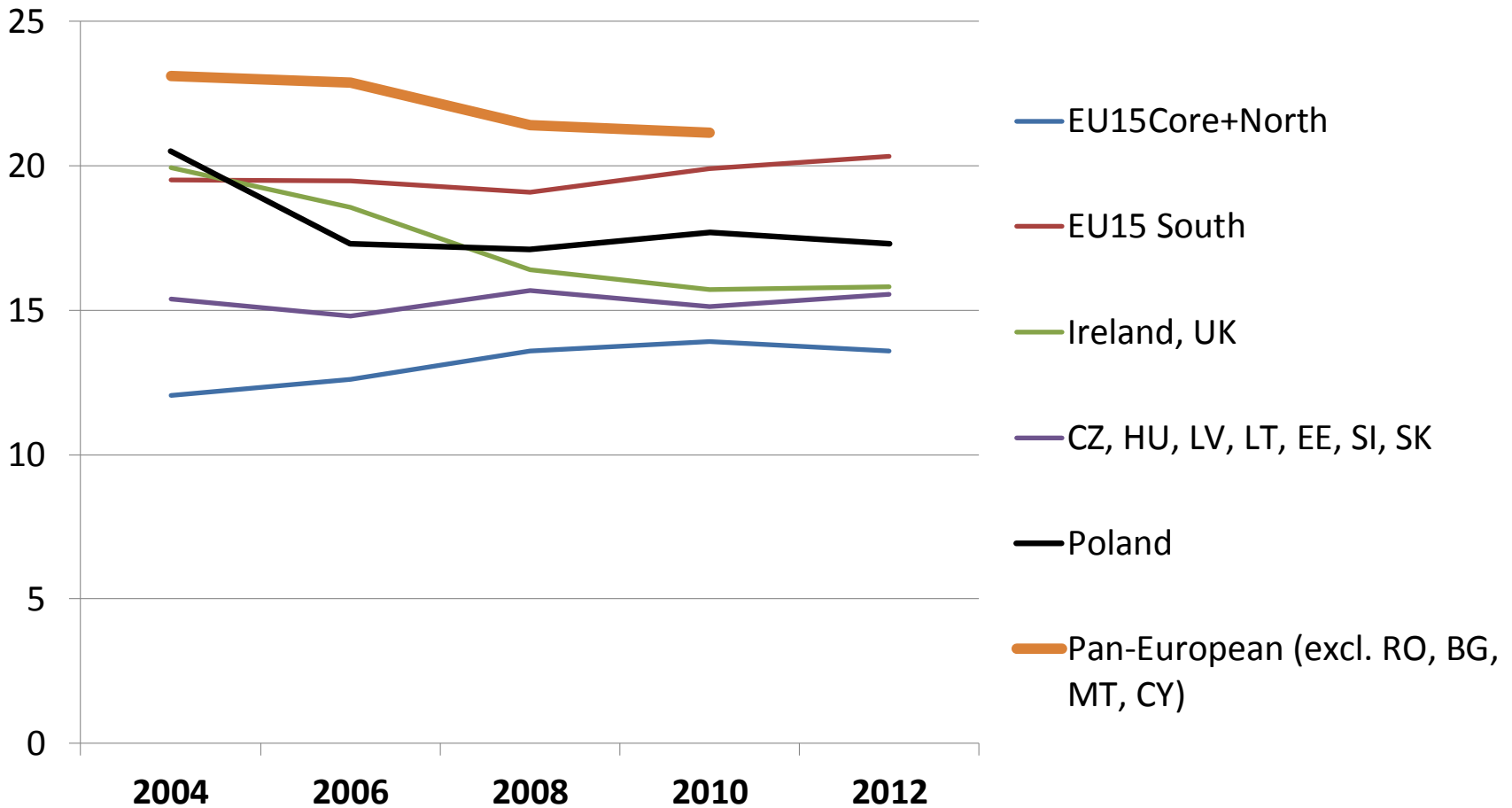
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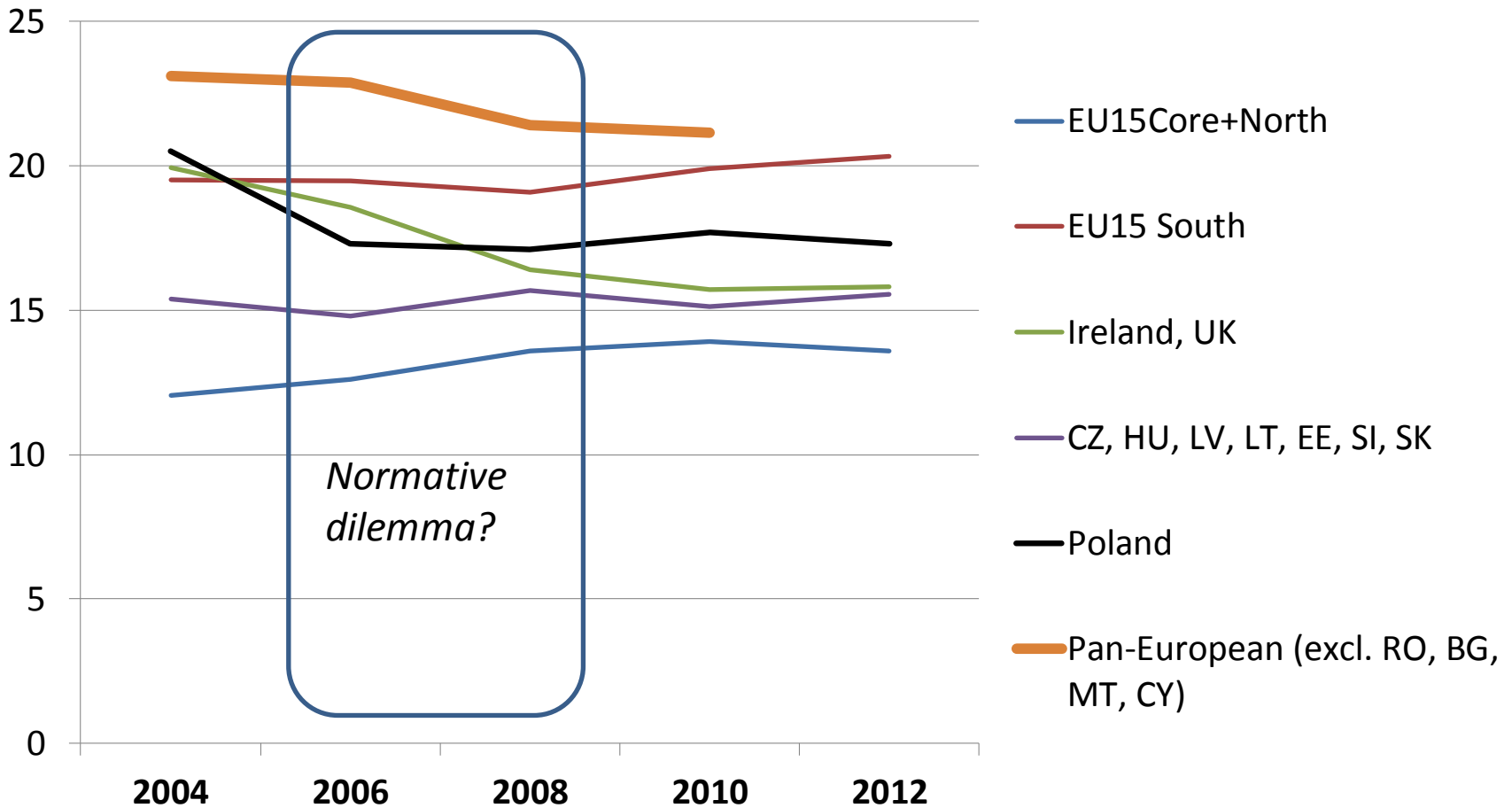
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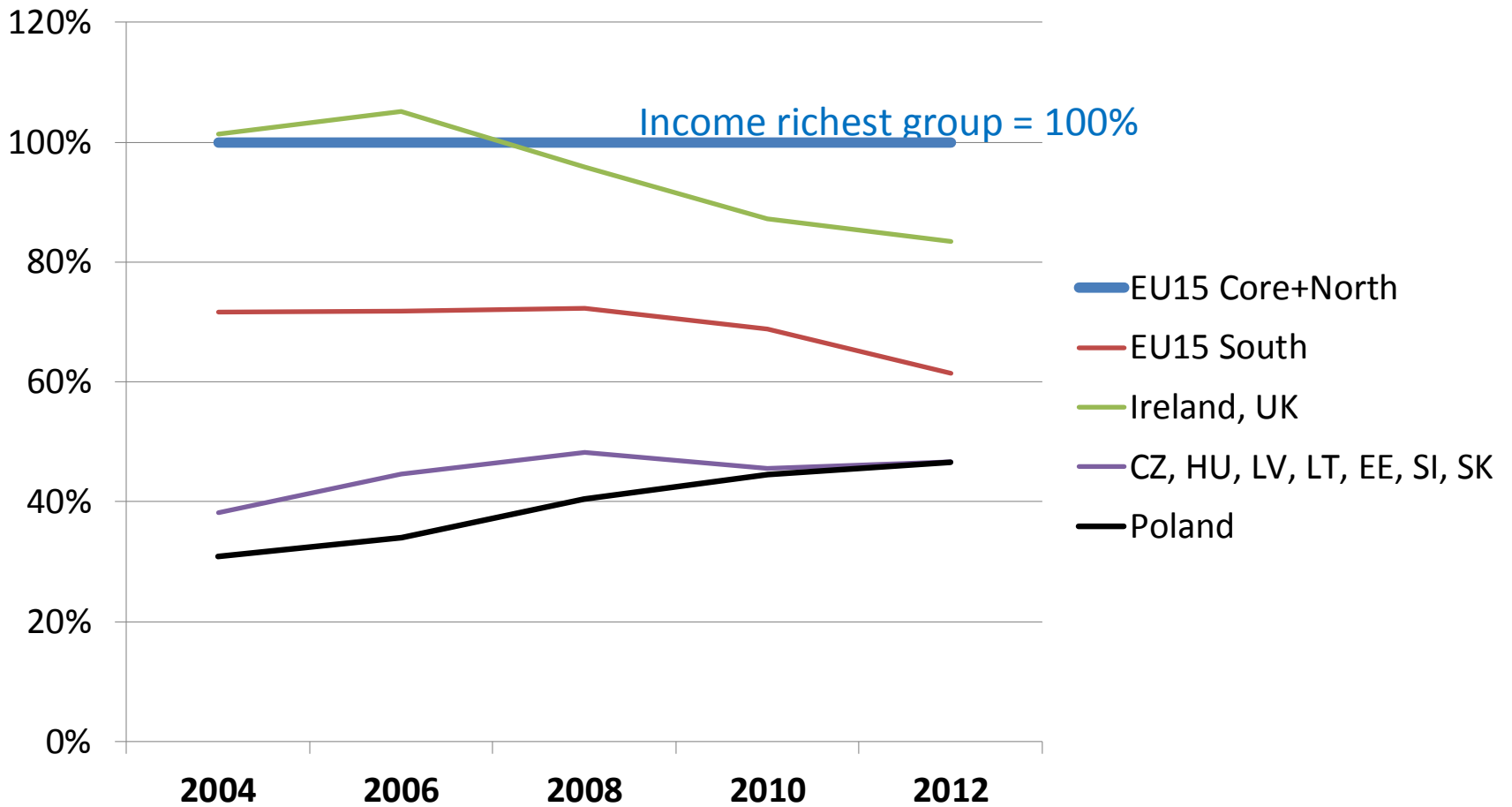
***Pan-European* relative income poverty is on an 'American level', but decreased until 2010**



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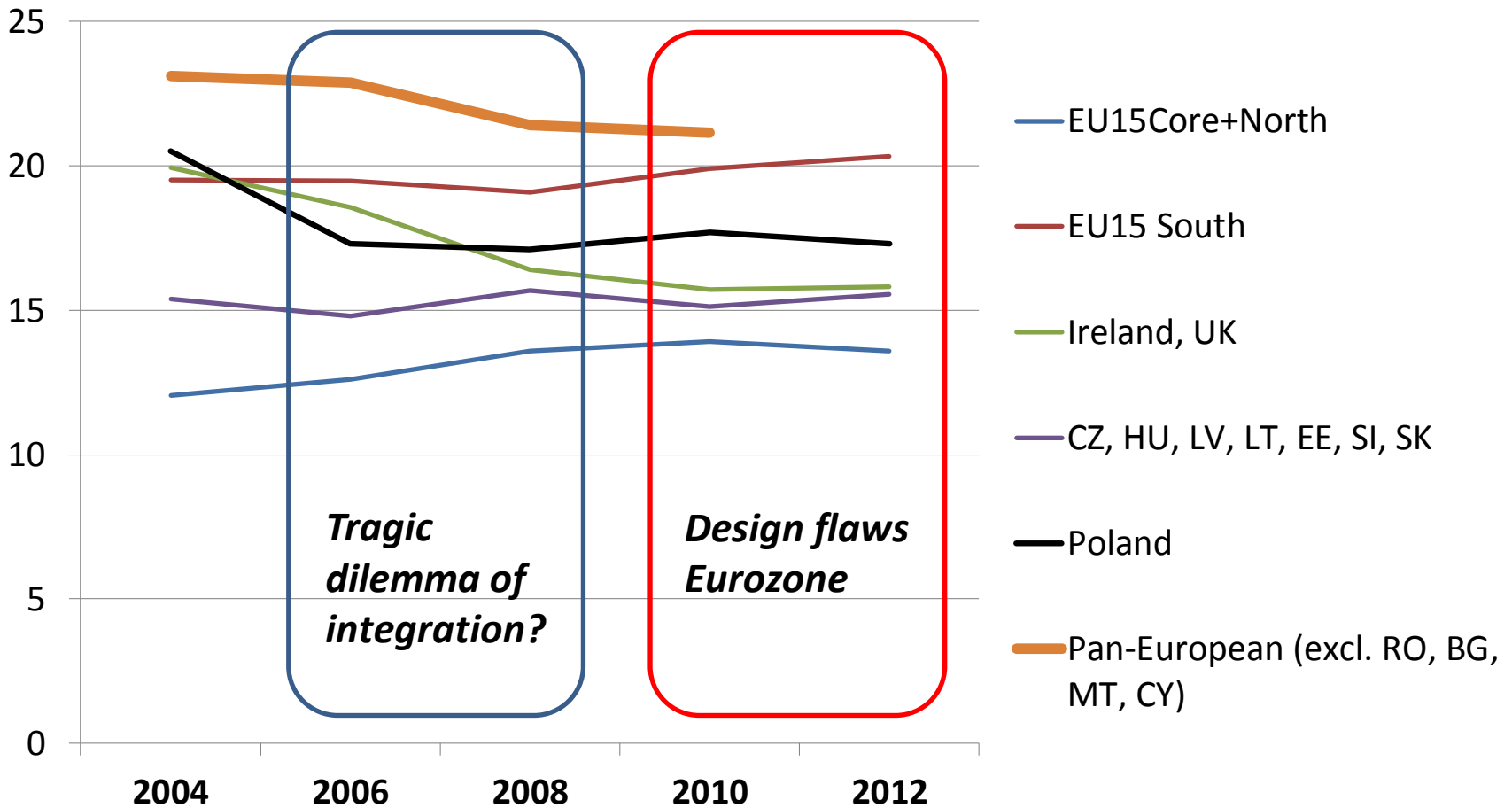
Inequality *between* countries: from convergence to divergence



The social dimension of the European project according to the *founding fathers*: a belief in convergence

- European integration would support the simultaneous pursuit of *economic progress* and of *social cohesion*, both *within* countries (through the gradual development of the welfare states) and *between* countries (through upward convergence across the Union)
- Division of labour:
 - economic development: supranational
 - coordination of social security rights & anti-discrimination: supranational
 - social development: national sovereignty (in theory)
- “European solidarity” ≈
 - fair access to the dynamics of upward economic convergence (market integration + limited solidarity transfers, in the context of the ‘cohesion policy’)
 - economic freedoms, but also social rights for mobile citizens => a pan-European ‘social space’
 - solidarity within Member States, to redistribute the produce of economic growth
- The convergence machine worked... more or less... until 2004/2008.

What went wrong?



Solutions from an EU perspective

- Design flaws of the Eurozone
 - Preventive: wage coordination across EMU: coordinated bargaining systems are an asset
 - Curative: stabilisation capacity of benefit systems: depends on coverage & generosity of unemployment insurance (long-term: an EU unemployment benefit system??)

Poverty reduction by transfers (excluding pensions)

	2004	2006	2008	2010	2012
EU15 Core & North	13,7	12,8	11,8	12,0	11,8
EU 15 South	4,6	4,5	5,2	6,3	6,7

What can be done? An EU perspective

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 - Curative: stabilisation capacity of benefit systems: depends on coverage & generosity of unemployment insurance (long-term: an EU unemployment benefit system??)
- Integration and social cohesion in an enlarging EU
 - Cross-border mobility and domestic social cohesion: a ‘balancing act’ is possible
 - An EU framework on minimum wages (role of minimum wages, vs. EITC-type solutions?)
 - Scope for industrial action to safeguard minimum standards

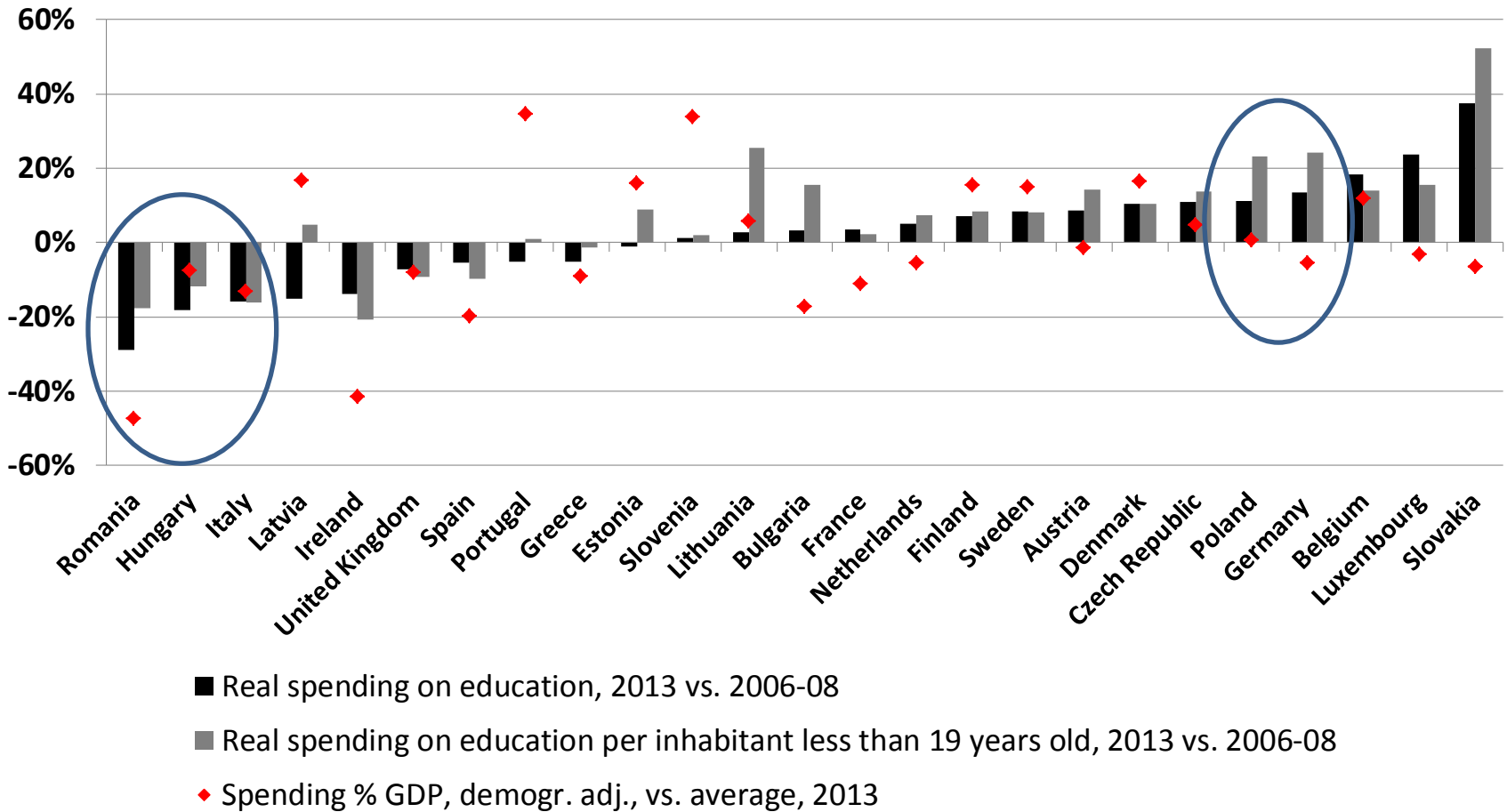
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- The tax basis of welfare states: taxation of mobile factors

If we believe that human capital is key to long-term growth... more economic divergence to come?



A European Social Union

A Social Union would

- support national welfare states on a *systemic* level in some of their key functions
 - guide the substantive development of national welfare states – via general social standards and objectives, leaving ways and means of social policy to Member States – on the basis of an operational definition of ‘the European social model’.
- ⇒ European countries would cooperate in a union with an explicit social purpose, pursuing both national and pan-European social cohesion

Thank you

1. Goedemé, Collado, Meeusen, *Mountains on the move. Recent trends in national and EU-wide income dynamics in old and new EU member states*, Improve Working Paper, July 2014, www.improve-research.eu
2. Cantillon, Vandenbroucke (eds.), *Reconciling Work and Poverty Reduction. How successful are European Welfare States?*, Oxford University Press, 2014
3. Vandenbroucke, *A European Social Union: Unduly Idealistic or Inevitable?* <http://institute.eib.org/2015/09/a-european-social-union-unduly-idealistic-or-inevitable/>
4. Vandenbroucke, with Vanhercke, *A European Social Union. 10 Tough nuts to crack*, Friends of Europe, Spring 2014 <http://www.friendsofeurope.org>
5. *Unequal Europe. Recommendations for a more caring EU*. Final Report of the High-Level Group on Social Union, Friends of Europe, Spring 2015 <http://www.friendsofeurope.org>